



REPUBLIC OF KENYA

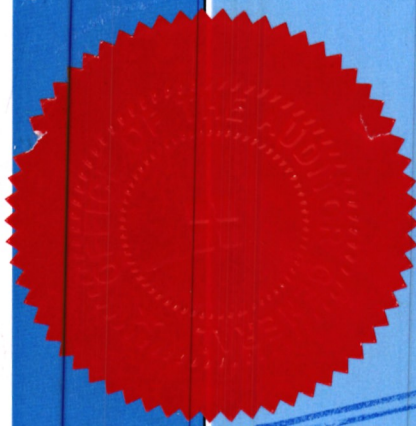


OAG



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 04 MAR 2021 DAY: Thurs

TABLED BY: The Majority Leader
Hon. Amos Kimunya

CLERK-AT THE TABLE: Perpetual Mwiggi

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REPORT

OF

THE AUDITOR-GENERAL

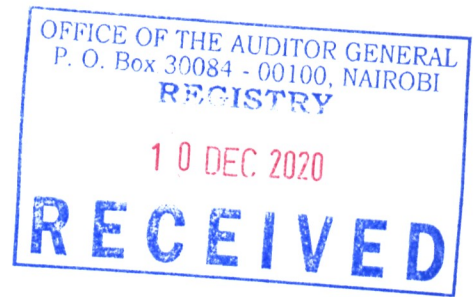
ON

PETROLEUM DEVELOPMENT FUND

FOR THE YEAR ENDED

30 JUNE, 2020

MINISTRY OF ENERGY



PETROLEUM DEVELOPMENT FUND

MINISTRY OF ENERGY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

Prepared in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

PETROLEUM DEVELOPMENT FUND, MINISTRY OF ENERGY
Reports and Financial Statements
For the year ended June 30, 2020

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PETROLEUM DEVELOPMENT FUND, MINISTRY OF ENERGY
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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information


The Petroleum Development Fund (PDF) under the Ministry of Energy (M.O.E) was formed on 27th October, 2006. PDF-MOE is managed by the Principal Secretary for Energy, who was appointed as the officer administering the Fund by the Principal Secretary for National Treasury in accordance with Section 4(2) of Petroleum Development Levy Act No. 4 of 1991 (Revised 2012). The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya.

The Fund's principal activity is to of the Fund is to supplement the Development budget of the Ministry of Energy as Appropriation in Aid (AIA).

(b) Key Management

The Fund's day-to-day management is under the following key organs:

Ref	Name	Position
1	Dr. Eng. Joseph Njoroge, CBS	Principal Secretary
2	Moses Gitari	Head of Accounting Unit
3	Felista N. Ng'ang'a	Senior Assistant Director Supply Chain
4	William Mbaka	Senior Deputy Director Budget

Name	Details of qualifications and experience
 <p>Dr. Eng. Joseph Njoroge, CBS Principal Secretary</p>	<p>Eng. Dr. Joseph Njoroge has wide experience in power engineering and management. He previously worked at Kenya Power and rose through the ranks to become Managing Director before being nominated to the position of Principal Secretary in the Ministry of Energy and Petroleum. Eng. Njoroge holds a Bachelor of Science degree in electrical engineering and Master of Business Administration with a major in strategic management. He is a Chartered Electrical Engineer, a member of the Institution of Engineering and Technology, UK, a Registered Consulting Engineer, and is also a Fellow of the Institution of Engineers of Kenya. He is also Chairman of the MBA Chapter of University of Nairobi Alumni Association. He also holds a PhD from University of Nairobi's School of Business.</p>

PETROLEUM DEVELOPMENT FUND, MINISTRY OF ENERGY

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CPA. Moses Gitari
Assistant Accountant General

CPA Moses Gitari is the Head of Accounting Unit, Ministry of Energy. He holds an MBA in Strategic Management from The University of Nairobi and BBA in Accounting and Finance from KEMU. Mr Gitari is a practicing Accountant and a member of Institute of Certified Public Accountants of Kenya (ICPAK). He has vast experience in Accounting Systems Implementation and Business process re-engineering.

He has previously worked in the Ministry of Health as an Accountant and at the National Treasury IFMIS Department as the Head of business process re-engineering



Mr William O. Mbaka
Senior Deputy Director of Budget

Mr. William O. Mbaka is the Senior Deputy Director of Budget in the State Department of Energy, Ministry of Energy and Petroleum and Head of Finance. He has served in the Civil Service for 29 years and as Head of Finance for 18 years. He has served in various ministries such as Housing, Agriculture, Health, Planning and Labour, among others. He also served as an Alternate Director in various State Corporations including Nzoia Sugar Company, Kenya Sugar Board, Sony Sugar Company and Coast Development Authority and currently is serves as an Alternate Director at Kenya Generating Electricity Company (KENGEN).He holds a MBA in Finance from Birmingham University (UK), A degree in Business Studies from Kenyatta University and an ACCA qualification..



Felista N. Ng'ang'a
Assistant Director Supply Chain & Management

Ms.

Felista Njoki Ng'ang'a is the Head of Supply Chain Management Service Unit in the Ministry of Energy. She is a holder of MBA (Strategic Management)

She is also a holder of a B.Com (Business Administration) professionally, a member of KISM and KIM and a Diploma in Purchasing and Supplies Management.

She has 15 years of experience in Public Procurement particularly in areas of Strategy, Contract Management and Binding process having worked in various government ministries and departments

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(c) Fiduciary Oversight Arrangements

- a) Budget Implementation Committee
- b) Parliamentary committee
- c) Internal Audit Committee

(d) Petroleum Development Fund Headquarters

P.O. Box 30582
Nyayo House Building
Kenyatta Avenue
Nairobi, KENYA

(e) Petroleum Development Fund Contacts

Telephone: (254) 203310112
E-mail: psenergy@energy.go.ke
Website: www.energy.go.ke

(f) Petroleum Development Fund Bankers

Kenya Commercial Bank
Kipande House Branch
Nairobi, Kenya

(g) Independent Auditors

Office of Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(h) Principal Legal Adviser

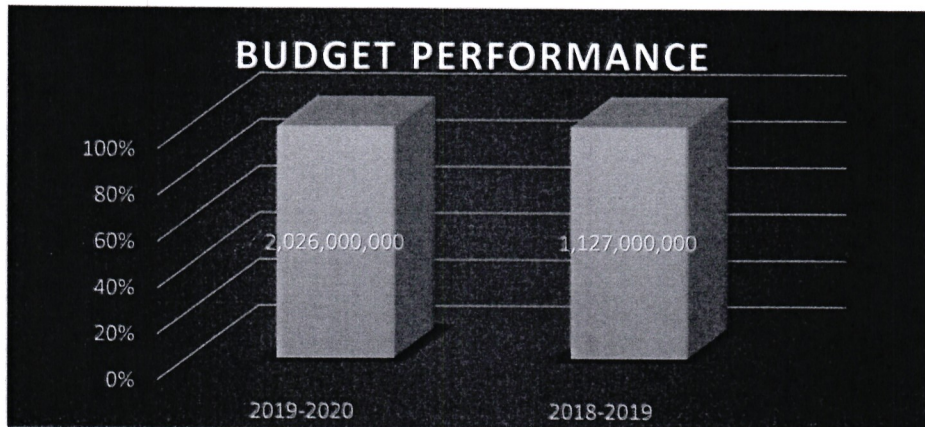
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

PETROLEUM DEVELOPMENT FUND, MINISTRY OF ENERGY
Reports and Financial Statements
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2. FORWARD BY THE FUND ADMINISTRATOR

1. Budget Performance Against Actual Amounts for 2019/2020

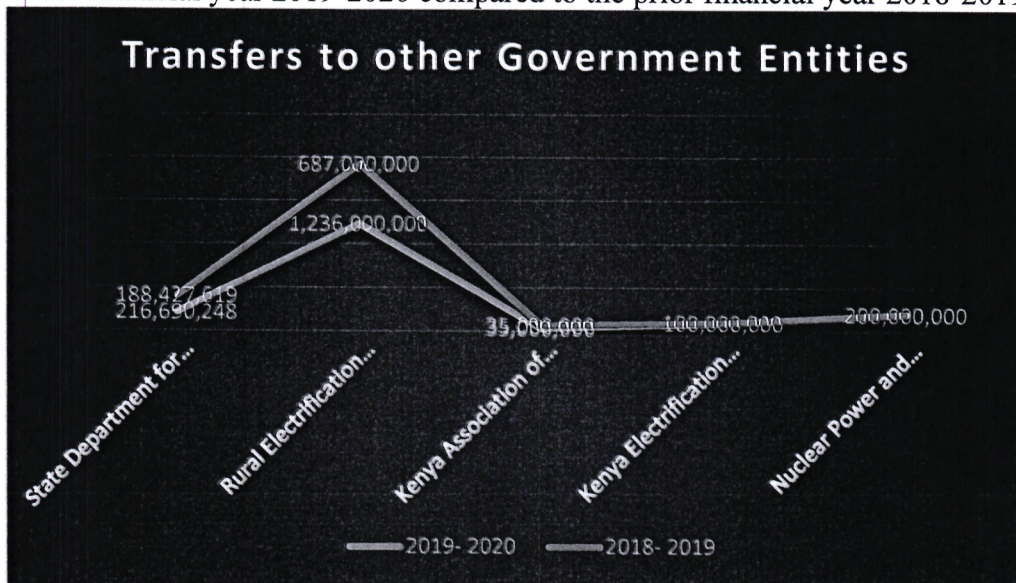
The budget for the financial year 2019-2020 from appropriations in aid was Kshs. 2,026,000,000. The actual amounts collected for the same was Kshs. 2,026,000,000. This was an increased in budget performance from the previous year 2018-2019 of Kshs 1,127,000,000.



2. Key Achievements of the Petroleum Development Fund

The Fund collected Kshs. 2,026,000,000 in appropriations in Aid and utilized the amount by transfer to other government entities of Kshs. 1,787,690,248 and other general expenses for Kshs. 1,986,659.

The transfer to other government entities was to Ministry of Energy for Kshs. 216,690,248, Rural Electrification Authority (REA) Kshs. 1,436,000,000 and Kenya Association of Manufacturers (KAM) Kshs. 35,000,000. Kenya Energy-Sector Environment and Social Responsibility Programme Fund Kshs 100,000,000. A 96 % increase in transfers to other Government entities was recorded in the financial year 2019-2020 compared to the prior financial year 2018-2019.



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3. Emerging Issues Related to the Petroleum Development Levy Fund

The appropriation in aid in the financial year 2019-2020 increased by 80%. The A & A collected in the financial year 2018-2019 was Kshs. 1,127,000,000 while the collection in financial year 2019-2020 was Kshs. 2,026,000,000. An increase of Kshs. 899,000,000 was noted. However, we have not had any liquidity disruptions as the cash flow from collections was as per the budgeted amount.

4. Implementation Challenges

The Fund faced challenge of delay in implementation as the Funds from The National Treasury were disbursed in Quarter 3 of the financial Year. However, no further challenges were noted.

5. Way Forward

Financial Year 2019/2020 was a good year despite the Covid-19 pandemic. Good progress was made and the momentum has been created to enable Petroleum Development Fund continue on a trajectory into prosperity. We have identified gaps and areas to improve in the subsequent years.

I take this opportunity to thank the management team for their support. I would also want to thank all staff who have worked tirelessly to ensure that Petroleum Development Fund achieves its mission.

Signed: _____



Fund Administrator
Dr. Eng. Joseph Njoroge, CBS

PETROLEUM DEVELOPMENT FUND, MINISTRY OF ENERGY
Reports and Financial Statements
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3. STATEMENT OF PERFORMANCE AGAINST FUND'S PREDETRMINED OBJECTIVES

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the Fund are to supplement the Development budget of the Ministry of Energy as Appropriation in Aid (AIA) in the following areas;

1.General Administration Planning and Support Services

- a) Financial Services and Energy Audits
- b) Power Generation
- c) Development of Nuclear Energy

2. Power Transmission and Distribution

-Rural Electrification

3. Alternative Energy Technologies

-Alternative Energy Technologies

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

SNO	Ministry of Energy Programmes	Objective	Outcome	Key Performance Indicator	Performance
					2019/20 FY
1.	Development of nuclear energy	To promote and implement the Kenya's Nuclear Power Programme, carrying out research and development, and capacity building in the energy sector.	1.Policy,Legal and Regulatory Framework for the Nuclear Power Programme development	Nuclear Policy developed	20 % of the National Nuclear policy developed.
			2.Human resource capacity building and development	Number of persons trained	Out of 80 persons planned 16 persons were trained.

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			3.Public Awareness forums on nuclear energy	No. of public awareness forums	Out of 30 public awareness forums planned 16 were Achieved..
2.	Rural Electrification	To connect public facilities to Electricity	Increased Electrification of Rural Kenya through Electrification of Public Facilities and Customers	This is determined by Actual Number of facilities and customers Connected.	-204 Public facilities -163 Transformers -7,925 customers - 77 Primary schools connected
3.	Alternative Energy Technologies	To promote adoption of renewable and clean energy technologies	Increased access to clean alternative energy sources	Various technologies promoted	200ha re-afforested 500ha maintained, 25 wood rots established, 20 Investment grade audits undertaken, 6 renewable energy technologies demonstrated, 16 energy centers maintained

PETROLEUM DEVELOPMENT FUND, MINISTRY OF ENERGY
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4. STATEMENT OF FUND MANAGEMENT RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Public Fund established by Section 4(2) of Petroleum Development Levy Act No. 4 of 1991 (Revised 2012) shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.


The Administrator of the Petroleum Development Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Fund Administrator of the Petroleum Development Fund accepts responsibility for the Fund's financial statements, which have been prepared on the Cash Basis Method accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Section 4(2) of Petroleum Development Levy Act No. 4 of 1991 (Revised 2012). The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary in charge of the Ministry of Energy confirms that the entity has complied fully with applicable Government Regulations and that the entity's Funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Principal Secretary confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The Petroleum Development Fund's financial statements were approved by the Fund Administrator on 15-9- 2020 and signed on its behalf by:



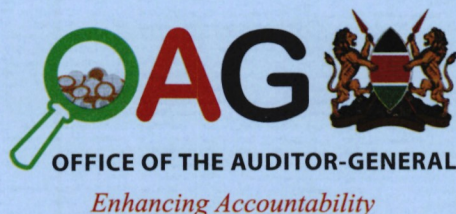
Fund Administrator
Dr. Eng. Joseph Njoroge, CBS



Fund Accountant
Moses Peterson Muriuki Gitari
ICPAK Member Number: 4204

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON PETROLEUM DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2020 – MINISTRY OF ENERGY

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Petroleum Development Fund-Ministry of Energy set out on pages 10 to 19, which comprise of the statement of assets and liabilities as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Petroleum Development Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Petroleum Development Levy Fund Act No.4 of 1991 (Revised 2012) and the Public Finance Management Act, 2012.

Basis of Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Petroleum Development Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budget Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.2,026,000,000 and Kshs.2,039,157,360 respectively, resulting to an overcollection by Kshs.13,157,360. However, Management spent Kshs.1,789,676,907 resulting to an under-absorption of Kshs.249,480,453 or 12.3% of the budget. The underfunding affected the planned activities and could have impacted negatively on service delivery for the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis), and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to liquidate the Fund or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Fund monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution, and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

21 December, 2020

PETROLEUM DEVELOPMENT FUND, MINISTRY OF ENERGY
Reports and Financial Statements
For the year ended June 30, 2020

6. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2019-2020	Re-stated	2018-2019
			2018-2019	
		Kshs.	Kshs.	Kshs.
Exchequer Releases	1	2,026,000,000	1,127,000,000	1,127,000,000
Other Receipts	2	13,157,360	20,386,300	20,386,300
Total		2,039,157,360	1,147,386,300	1,147,386,300
Expenses				
Transfer to other Government Entities	3	1,787,690,248	910,427,619	1,315,550,727
General Expenses	4	1,986,659	3,063,410	3,063,410
Total expenses		1,789,676,907	913,491,029	1,318,614,137
Surplus/(Deficit) for the year		249,480,453	233,895,271	-171,227,837

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund's financial statements were approved on 15-9-2020 and signed by:



Fund Administrator
 Dr. Eng. Joseph Njoroge, CBS



Fund Accountant
 Moses Peterson Muriuki Gitari
 ICPAK Member Number: 4204:

PETROLEUM DEVELOPMENT FUND, MINISTRY OF ENERGY
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7. STATEMENT OF ASSETS AND LIABILITIES

	Note	2019-2020	Re-stated	2018-2019
			2018-2019	
		Kshs	Kshs	Kshs
FINANCIAL ASSETS				
Cash and Cash Equivalents				
Bank Balances	5	249,480,453	233,895,271	233,895,271
NET FINANCIAL ASSETS		249,480,453	233,895,271	233,895,271
REPRESENTED BY				
Fund balance b/fwd	6	233,895,271	405,123,108	405,123,108
Prior year adjustment	7	(233,895,271)	(405,123,108)	-
Surplus/(Deficit) for the year		249,480,453	233,895,271	(171,227,837)
NET FINANCIAL POSITION		249,480,453	233,895,271	233,895,271

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund's financial statements were approved on 15-9- 2020 and signed by:



Fund Administrator
 Dr. Eng. Joseph Njoroge, CBS



Fund Accountant
 Moses Peterson Muriuki Gitari
 ICPAK Member Number: 4204

PETROLEUM DEVELOPMENT FUND, MINISTRY OF ENERGY
Reports and Financial Statements
For the year ended June 30, 2020

8. STATEMENT OF CASH FLOWS

		2019-2020	Restated 2018 -2019	2018 -2019
		Kshs	Kshs	Kshs
Receipts for operating income				
Exchequer Releases	1	2,026,000,000	1,127,000,000	1,127,000,000
Other Receipts	2	13,157,360	20,386,300	20,386,300
Payments for operating expenses				
Transfers to Other Government Units	3	(1,787,690,248)	(910,427,619)	(1,315,550,727)
General Expenses	4	(1,986,659)	(3,063,410)	(3,063,410)
Net cash flow from/(used in) operating activities		249,480,453	233,895,271	(171,227,837)
Prior year adjustments		(233,895,271)	(405,123,108)	-
Net Increase/Decrease in Cash and Cash Equivalent		15,585,182	(171,227,837)	(171,227,837)
Cash and cash equivalent at Beginning of the year		233,895,271	405,123,108	405,123,108
Cash and cash equivalent at End of the year		249,480,453	233,895,271	233,895,271

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Petroleum Development Levy Fund's financial statements were approved on 15-9-2020 and signed by:



Fund Administrator
 Dr. Eng. Joseph Njoroge, CBS



Fund Accountant
 Moses Peterson Muriuki Gitari
 ICPAK Member Number: 4204

**Reports and Financial Statements
For the year ended June 30, 2020**

9. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2020

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Exchequer Releases	1,826,000,000	200,000,000	2,026,000,000	2,026,000,000	-	100.00%
Other Receipts	-	-	-	13,157,360	- 13,157,360	-100.00%
TOTAL RECEIPTS	1,826,000,000	200,000,000	2,026,000,000	2,039,157,360	- 13,157,360	100.65%
PAYMENTS						
Transfers to Other Government Units	1,826,000,000	200,000,000	2,026,000,000	1,787,690,248	238,309,752	88.24%
General Expenses	-	-	-	1,986,659	- 1,986,659	-100.00%
TOTAL PAYMENTS	1,826,000,000	200,000,000	2,026,000,000	1,789,676,907	236,323,093	88.34%
Surplus				249,480,453	- 249,480,453	

The Petroleum Development Fund's financial statements were approved on 15-9- 2020 and signed by:



Fund Accountant
Moses Peterson Muriuki Gitari
ICPAK Member Number: 4204

Fund Administrator
Dr. Eng. Joseph Njoroge, CBS

**Reports and Financial Statements
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10. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-Programme	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
General Administration Planning and Support Services	45,000,000		45,000,000	45,000,000	-	100%
Financial Services and Energy Audits	45,000,000		45,000,000	45,000,000	-	100%
Power Generation		200,000,000	200,000,000	200,000,000	-	100%
Development of Nuclear Energy		200,000,000	200,000,000	200,000,000	-	100%
Power Transmission and Distribution	1,236,000,000		1,236,000,000	1,236,000,000	-	100%
Rural Electrification	1,236,000,000		1,236,000,000	1,236,000,000	-	100%
Alternative Energy Technologies	545,000,000		545,000,000	306,690,248	238,309,752	56%
Alternative Energy Technologies	545,000,000		545,000,000	306,690,248	238,309,752	56%
Total	1,826,000,000	200,000,000	2,026,000,000	1,787,690,248	238,309,752	88%

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11. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

2. Reporting Entity

The financial statements are for the Petroleum Development Fund under the National Government of Kenya. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012.

3. Reporting Currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

a) Recognition of Receipts

The Fund recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Entity.

• Appropriation-in-Aid

Levies from oil companies are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

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b) Recognition of payments

The Fund recognises all payments when the event occurs, and the related cash has been paid out by the Fund as follows:

Use of Goods and Services

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

5. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

6. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2019 for the period 1st July 2019 to 30th June 2020 as required by Law and there were three supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government Development Projects are budgeted for under the MDAs but receive budgeted Funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

7. Comparative Figures

Where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

8. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2020.

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12. NOTES TO THE FINANCIAL STATEMENTS

1 EXCHEQUER RELEASES

Explanation	2019-2020	2018-2019
	Kshs	Kshs
Exchequer Releases	2,026,000,000	1,127,000,000
Total	2,026,000,000	1,127,000,000

This refers to appropriation in Aid received through the National Treasury

2 OTHER RECEIPTS

Explanation	2019-2020	2018-2019
	Kshs	Kshs
Interest income	13,157,360	20,386,300
Total	13,157,360	20,386,300

3 TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2019-2020	2018-2019
	Kshs	Kshs
State Department for Energy	216,690,248	188,427,619
Kenya Association of Manufacturers	35,000,000	35,000,000
Kenya Energy-Sector Environment and Social Responsibility Programme Fund	100,000,000	-
Rural Electrification Authority	1,236,000,000	687,000,000
Nuclear Power and Energy Agency	200,000,000	-
Total	1,787,690,248	910,427,619

The above transfers were received from the following self-reporting entities in the year

4 GENERAL EXPENSES

Explanation	2019-2020	2018-2019
	Kshs	Kshs
Bank Charges and withholding tax paid	1,986,659	3,063,410
Total	1,986,659	3,063,410

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 BANK BALANCES

Name of Bank, Account No.	Currency	2019-2020	2018-2019
		Kshs	Kshs
KCB a/c 01104169282	Kshs	249,480,453	233,895,271
Total		249,480,453	233,895,271

6 FUND BROUGHT FOWARD

Explanation	2019-2020	2018-2019
	Kshs	Kshs
Bank balances	233,895,271	405,123,108
Total	233,895,271	405,123,108

7 PRIOR YEAR ADJUSTMENTS

Explanation	2019-2020	2018-2019
	Kshs	Kshs
Refund to the National Treasury	233,895,271	405,123,108
Total	233,895,271	405,123,108

8 RELATED PARTY DISCLOSURES

The following comprise of related parties to the Petroleum Development Fund

- Key management personnel that include the Cabinet Secretaries and Accounting Officers
- Other Ministries Departments and Agencies and Development Projects;
- State Corporations and Semi-Autonomous Government Agencies.

Description	2019- 2020	2018- 2019
	Kshs	Kshs
Ministry of Energy	216,690,248	188,427,619
Rural Electrification Authority	1,436,000,000	687,000,000
Kenya Association of Manufacturers(KAM)	35,000,000	35,000,000
Kenya Energy-Sector Environment and Social Responsibility Programme Fund	100,000,000	-
Total	1,787,690,248	910,427,619

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9 PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR'S RECOMMENDATIONS

No issues were raised by Auditor General in the prior year, therefore for the current year, there are no recommendations whose follow up progress require reporting



Fund Administrator
Dr. Eng. Joseph Njoroge, CBS



Fund Accountant
Moses Peterson Muriuki Gitari
ICPAK Member Number: 4204